

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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Postal Rate and Fee Changes, 1997

Docket No. R97-1
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY


**NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
MICHAEL R. MCGRANE (NAA/USPS-ST44-1-22)
November 3, 1997**

The Newspaper Association of America, pursuant to Order No. 1200, hereby submits the attached interrogatories to United States Postal Service witness Michael R. McGrane (USPS-ST-44) and respectfully requests a timely and full response under oath.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

By:


William B. Baker

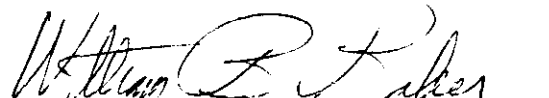
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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the instant document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

November 3, 1997


William B. Baker

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UNITED STATES POSTAL SERVICE WITNESS
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NAA/USPS-ST44-1: Does Exhibit 44A differ in any way from the document previously filed as Library Reference LR-H-109? If so, please identify and explain all differences.

NAA/USPS-ST44-2: With respect to Exhibit 44A, previously filed as Library Reference LR-H-109, please confirm that $\frac{3}{4}$ of the data were collected prior to, and $\frac{1}{4}$ were collected after, the implementation of the mail reclassification changes resulting from Docket No. MC95-1. If you cannot confirm, please explain why not.

NAA/USPS-ST44-3. Please describe all changes in the preparation and entry requirements for carrier route letters and flats that went into effect on July 1, 1996, with the implementation of the mail reclassification changes resulting from Docket No. MC95-1. Please include any changes in endorsements, sequencing requirements, package preparation requirements, and tray, sack or pallet preparation requirements associated with entry at Enhanced Carrier Route subclass rates. Please indicate the changes for letters and flats separately.

NAA/USPS-ST44-4: Please provide a version of Exhibit 44A, Table 1 (at page 4) that presents separately the data collected prior to and after the July 1, 1996, implementation of the mail reclassification changes resulting from Docket No. MC95-1.

NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
MICHAEL R. MCGRANE (NAA/USPS-ST44-1-22)

NAA/USPS-ST44-5: Please provide a version of Exhibit 44A, Table 2 that presents separately the data collected prior to and after the July 1, 1996, implementation of the mail reclassification changes resulting from Docket No. MC95-1.

NAA/USPS-ST44-6: Please provide the corresponding volume data for the period covered by the data in Exhibit 44A, presenting separately the volumes prior to and after the July 1, 1996, implementation of the mail reclassification changes resulting from Docket No. MC95-1. Please provide the volumes separately for carrier route non-letters and non-letters, distributed among saturation, high-density (125-piece walk sequenced), and basic.

NAA/USPS-ST44-7: Please refer to the response to NAA/USPS-19(d). That response states that "[t]he analysis contained in Library Reference H-109 assumes that distribution of walk-sequence and non walk-sequence mail for the ECR mail contained in unidentified items and in containers for a particular mail processing cost pool is the same as the distribution observed in the direct tallies in that cost pool."

- a. Please explain why you believe this to be a valid assumption.
- b. Please refer to page 1 of Table 1 in LR H-109 (ECR Letters). Please confirm that the direct tally IOCS costs for platform operations (Group #34) represent less than 10 percent of the total variable mail processing costs. If you cannot confirm this figure, please explain.
- c. Please explain why it is valid to distribute the other 90 percent of the costs of platform operations on the basis of these direct tallies.

NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
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NAA/USPS-ST44-8: Please confirm that the data in Exhibit 44A indicates that delivery costs comprise a majority of the total costs for ECR mail. If you cannot confirm, please explain why not.

NAA/USPS-ST44-9. Are the majority of costs derived from mail processing IOCS tallies and presented in Exhibit 44A from bulk handlings? If possible, please provide the proportion of such mail processing costs that are from bulk handlings.

NAA/USPS-ST44-10: Please refer to the first and ninth rows of the first page of Exhibit 44A, Table 1 (Standard (A) Regular ECR Letters). Please confirm that non-walk-sequenced ECR letters incur \$4.854 million of costs related to barcode sorters and \$1.45 million of costs related to optical character readers. If you cannot confirm, please provide the correct numbers.

- a. Please explain why these costs are incurred for ECR letter mail.
- b. Please refer to the following testimony of Postal Service Witness Moden (USPS-T-4) at page 16, lines 15-21:

" Our delivery units have worked closely with the plants to increase the amount of DPS mail. They have worked together to identify and capture bundles of non-barcode Enhanced Carrier Route (ECR) Basic letters in order to barcode them at the plant. By doing so, they have been able to incorporate these pieces into the carriers' DPS mail, thus eliminating the need for manual casing. As barcoding non-barcode ECR basic letters has become a common practice and as the number of DPS zones has increased, the value of ECR Basic letters has diminished."

NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
MICHAEL R. MCGRANE (NAA/USPS-ST44-1-22)

Please confirm that identifying and capturing ECR basic letters in order to barcode them and incorporate them into the carriers' DPS mail will result in increased mail processing costs for these ECR basic letters. If you cannot confirm this statement, please explain why.

- c. Please confirm that in-office carrier costs are reduced as a result of incorporating ECR basic letters into the DPS mailstream. If you cannot confirm this statement, please explain why.
- d. Did your analysis in Exhibit 44A calculate the reduction in the in-office carrier costs resulting from incorporating ECR basic letters into the DPS mailstream? If yes, please explain where these costs are included in Exhibit 44A.
- e. Did any other Postal Service witness calculate the in-office cost savings associated with incorporating ECR basic letters into the DPS mailstream? If yes, please describe which witness did this calculation and provide a reference to the calculations.
- f. Assume that (1) you have included the increase in mail processing costs associated with the barcoding and sorting of ECR basic letters in the DPS mailstream and (2) no Postal Service witness has adjusted in-office costs to take into account the subsequent in-office carrier costs savings. Under that assumption, would the unit cost differences between the walk sequenced and "non walk sequenced" mail shown in Table 1 of Exhibit 44A be overstated? Please explain why or why not.

NAA/USPS-ST44-11: Does Exhibit 44B differ in any way from the document previously filed as Library Reference LR-H-182? If so, please identify and explain all differences.

NAA/USPS-ST44-12: Please refer to Exhibit 44B, Table 3, page 9. Please confirm that this table presents volumes for Standard (A) Bulk Regular Carrier-Route

NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
MICHAEL R. MCGRANE (NAA/USPS-ST44-1-22)

letters at the following ounce increments, and explain how any letters at these weight increments could meet the definition of a letter:

- a. 4 ounces
- b. 5 ounces
- c. 6 ounces
- d. 7 ounces
- e. 8 ounces
- f. 9 ounces
- g. 10 ounces
- h. 11 ounces
- i. 12 ounces
- j. 13 ounces
- k. 14 ounces
- l. 15 ounces

NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
MICHAEL R. MCGRANE (NAA/USPS-ST44-1-22)

NAA/USPS-ST44-13: Please refer to Exhibit 44B, Tables 3 and 4. Please provide a breakdown of city carrier in-office costs presented in those tables by the following components, presenting the costs for flats and total pieces separately:

- a. The costs associated with direct tallies;
- b. The costs arising from the assignment of the mixed tallies;
- c. The overhead costs;
- d. The piggyback costs; and
- e. The premium pay adjustment.

NAA/USPS-ST44-14: Please refer to Exhibit 44B, Tables 3 and 4. Please provide a breakdown of mail processing costs presented in those tables by the following components, presenting the costs for carrier-route flats and total costs separately:

- a. The costs associated with direct tallies;
- b. The costs arising from the assignment of the mixed tallies;
- c. The overhead costs;
- d. The piggyback costs; and
- e. The premium pay adjustment.

NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
MICHAEL R. MCGRANE (NAA/USPS-ST44-1-22)

NAA/USPS-ST44-15: Please refer to Exhibit 44B, Tables 3 and 4. Please provide a breakdown of window service costs presented in those tables by the following components, presenting the costs for carrier-route flats and total costs separately:

- a. The costs associated with direct tallies;
- b. The costs arising from the assignment of the mixed tallies;
- c. The overhead costs;
- d. The piggyback costs; and
- e. The premium pay adjustment.

NAA/USPS-ST44-16: What proportion of the total IOCS tallies were mixed mail tallies during the period that the data presented in Exhibit 44B were collected?

NAA/USPS-ST-44-17: Please refer to the responses to ABA/USPS-1 and ADVO/USPS-28.

- a. Please provide a table similar to that provided in your response to ABA/USPS-1 showing mail processing costs only by weight increment for Standard (A) carrier-route mail, *after adjustment for presort level and dropship characteristics*.
- b. Please provide a table similar to that provided in your response to ABA/USPS-1 showing mail processing costs only by weight increment for Standard (A) carrier-route flats, *after adjustment for presort level and dropship characteristics*.

NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
MICHAEL R. MCGRANE (NAA/USPS-ST44-1-22)

NAA/USPS-ST44-18. Please refer to Tables 1 and 2 in Exhibit 44B and the response to NAA/USPS-T36-22(a).

- a. Do the smaller volumes at the higher weight increments result in less reliable unit cost estimates for these weight increments? If so, in your opinion, at what point do the data become unreliable due to the "thinner" sample?
- b. Aside from the amount of dropshipping, presortation, and the average haul of the non-dropshipped mail, what are the "other factors" that could cause variations in the unit cost by weight increment?

NAA/USPS-ST44-19. Please refer to the response to NAA/USPS-T36-19. Do you have any opinion on the likely magnitude of the standard error of the estimates of the unit costs? If so, please provide your opinion and all evidence supporting this opinion.

NAA/USPS-ST44-20: Please refer to the response to NAA/USPS-T36-17(a), which indicates that "it is believed that the majority of [city carrier street] costs are piece related." Did you arrive at this belief on your own, or was this belief given you by the Postal Service? If this was given to you by the Postal Service, please identify the person who conveyed that belief to you.

NAA/USPS-ST44-21: In Exhibit 44B, why are costs so much higher at the 4 ounce increment than at the 3 or 5 ounce increments?

NEWSPAPER ASSOCIATION OF AMERICA
INTERROGATORIES TO
UNITED STATES POSTAL SERVICE WITNESS
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NAA/USPS-ST44-22: In Exhibit 44B, why are costs so much lower at the 13 ounce increment than at the 12 or 14 ounce increment?